



Office of the County Executive

Jack Doyle
County Executive

October 20, 2003

To The Honorable
Monroe County Legislature
407 County Office Building
Rochester, New York 14614

Subject: Adoption of 2004 Monroe County Annual Budget

Honorable Legislators:

I have submitted for your review and approval the 2004 Operating Budget for the County of Monroe. While this budget meets the needs of our community at the lowest possible cost to our taxpayers, the continued pressure of double digit increases in the state's Medicaid Program, employee and retiree medical insurance, and state mandated pension obligations have exhausted our ability to balance the budget through expenditure reductions.

Over the last several years, the cost of the state's Medicaid Program and other state mandates, such as pension costs, have forced the County to make difficult decisions regarding non-mandated programs, as the County's discretionary spending comprises just 16.9% of the budget. Every effort has been made to pursue strategies that have resulted in cost cutting efficiencies and practices, ranging from annual operational reviews to extensive analyses of ways to maximize revenue. However, declining revenues and increasing expenditures resulting from mandated costs have left the County with few alternatives and little flexibility in maintaining fiscal balance.

In order to meet the demand of these mandated costs, I have included in my proposed budget a sixth-tenths-of-a-penny increase in the County's Sales Tax from 4.0% to 4.6%. While any tax increase is regrettable, raising the Sales Tax is preferable to raising the Property Tax, which forces an immediate and unavoidable burden on local employers and homeowners.

The specific legislative actions required are:

1. Pursuant to Section C4-4 of the Monroe County Charter, adopt the Monroe County Annual Budget for 2004.
2. Establish the 2004 Monroe County Classification, Compensation and Salary Schedule for employees of the County of Monroe, as contained in the Monroe County Annual Budget for 2004.

I recommend that this matter be referred to the appropriate committee(s) for favorable action by Your Honorable Body.

Sincerely,

John D. Doyle
County Executive

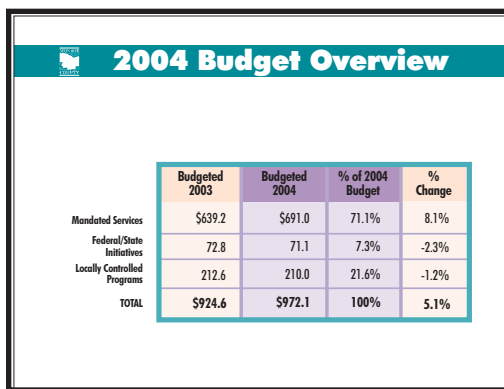
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xc: R. Mackey, C. Turner, G. Mecca, S. Kennedy

2004 MONROE COUNTY BUDGET EXECUTIVE SUMMARY

GENERAL OVERVIEW OF THE BUDGET

Overall, the 2004 budget totals \$972.1 million, a \$47.5 million increase over the 2003 adopted budget. The property tax levy and the County's share of the sales tax generate \$399.2 million to support the budget. An additional \$13.6 million will be raised from other local sources such as user fees and permits.

The vast majority of expenditures, \$691.0 million or 71.1% are for Federal and State mandates including Medicaid, Public Assistance, and the County Jail. After salaries and benefits primarily for the Sheriff's Department and other Public Safety services are added to our mandated costs, Monroe County's discretionary spending accounts for 16.9% of the proposed budget. This leaves little room to further cut the cost of providing needed services such as parks and road maintenance.



	Budgeted 2003	Budgeted 2004	% of 2004 Budget	% Change
Mandated Services	\$639.2	\$691.0	71.1%	8.1%
Federal/State Initiatives	72.8	71.1	7.3%	-2.3%
Locally Controlled Programs	212.6	210.0	21.6%	-1.2%
TOTAL	\$924.6	\$972.1	100%	5.1%

However on a positive note, the recent preliminary review of County operations, conducted in conjunction with Altreya Consulting, has resulted in \$3.5 million in savings, reducing overall non-mandated spending by \$2.6 million.

While the 2004 Budget meets the needs of our community at the lowest possible cost to taxpayers, the continued pressure of double-digit increases in Medicaid expenses, employee and retiree medical insurance, and State-mandated pension obligations have exhausted our ability to balance the budget through expenditure reductions. In addition, the decline in State and

Federal funding streams and the delay in reimbursement from these levels of government have exacerbated the challenges facing the County in crafting the 2004 budget.

In 2004, Monroe County and its taxpayers will be burdened by nearly \$52 million in increased costs for mandated programs, equivalent to a property tax levy increase of over 20%.

Such an onerous property tax increase would stifle job creation and economic development efforts in our community and overburden homeowners. Therefore, the 2004 budget includes a sixth-tenths-of-a-penny increase in the County's Sales Tax from 4.0% to 4.6% for a combined total State and County rate of 8.85%. The new Sales Tax rate is expected to generate an additional \$55.6 million annually once enacted by the County and State Legislatures, respectively.

The budget anticipates collection of the additional six-tenths-of-a-penny in Sales Tax beginning in March of 2004. Therefore, the increase will generate only \$41.7 million in additional revenue next year.

While any manner of tax increase is regrettable, raising the Sales Tax is preferable to raising the Property Tax which forces an immediate and unavoidable burden on local employers and homeowners.

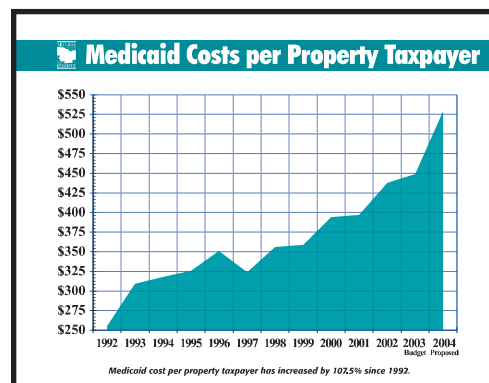
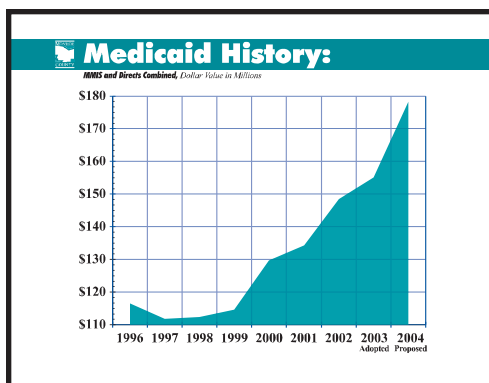
In addition, the County Executive has proposed that the Sales Tax increase only remain in effect until the State enacts meaningful Medicaid reform that addresses the financial crisis the program has forced upon on counties.

MEDICAID EXPENSES SPIRAL

Medicaid is clearly the most significant expenditure challenge facing Monroe County. Since the enactment of the Medicaid program, New York State counties have been required to share costs with the state and are mandated to contribute 25% of Medicaid costs. Nursing Home and Home and Community-Based Service Programs require a lower percentage contribution from the County.

The following are a series of facts that demonstrate the severity of the Medicaid burden for New York counties, including our own, and the resulting crisis affecting taxpayers:

- New York State has the most expensive Medicaid program in the nation, and is one of only four states that offers every possible optional service to its Medicaid recipients.
- Although 19 other states require a local match, New York counties, unlike anywhere else in the country, are burdened with the responsibility of paying a full 25% of Medicaid costs for most services.
- Only eight percent of the nation's Medicaid beneficiaries live in New York, yet New York accounts for seventeen percent of the total program expenditures in the country. And, in terms of local share, New York counties spend more on Medicaid than the entire program in 40 other states! Further, the combined Medicaid cost in Texas and California is less than New York State.



- Monroe County's property tax is the major revenue stream supporting its net Medicaid expense. In 1992, the county's net Medicaid expense was equal to 26% of the tax levy in contrast to the 2004 proposed budget where the net Medicaid expenditures represent 56.2% of the tax levy. Without Medicaid, Monroe County taxes would plummet by 56%! Alternatively, the average cost of Medicaid per taxpayer was \$255 in 1992, and in 2004 it will increase to \$529 per taxpayer, a 107% increase.

In addition to these facts, Medicaid represents the single largest growth component in the Monroe County budget. In 2004, the \$178.3 million in projected gross Medicaid expense represents 18.3% of all county spending, dwarfing other county programs and services!

To put this in perspective, Monroe County taxpayers will spend nearly a half million dollars every day for this mandated program!

The chart above also illustrates that the net Medicaid local share has increased 69.1% between the period covering 1995- 2004, and if costs continue unabated, it will double in 2010.

A major factor in the increased expense for Medicaid is Family Health Plus (FHP). After moderate increases in Medicaid costs between 1996-1999 with the rate of growth averaging 1.15 %, costs began to spiral in 2000, fueled, in part, with the advent of the Health Care Reform Act of 2000, which created FHP.

FHP provides health coverage for those who do not have health insurance through their employers, and who exceed income levels for standard Medicaid coverage. As required by statute, Monroe County is required to pay for 25% of the program's cost. Since its inception in 2001, FHP has grown at an alarming rate and in 2004 will cost the taxpayers \$7.2 million.

Other major factors increasing Medicaid expenses, and the resulting crisis for County taxpayers, include dramatically higher costs for prescription drugs, Home and Community Based Services and HMO participation.

Medicaid is a worthwhile program that provides needed medical care for the poor and low-income workers. However, the current funding structure for Medicaid is unsustainable. In fact, expenditures for the program could exceed the total amount collected in property taxes by 2010.

However, there are solutions to the problem, but the will needs to exist in Albany to enact them. Other states spend far less per Medicaid recipient; however, cost constraints will only become a reality when the State can no longer pass the burden for Medicaid down to counties. Monroe County has no say in establishing program eligibility or levels of service, and lacks the authority to control or limit expense, yet our taxpayers are required to pay 25% of Medicaid costs.

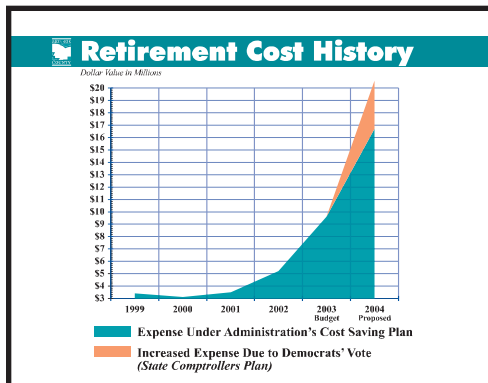
The County Executive is active in a number of efforts, including the organization, "Counties United to Reform Medicaid" dedicated to making the case to our State Legislature to address this crisis. In fact, taxpayers can help in this effort by signing an online petition at www.monroecounty.gov

PENSION COSTS ESCALATING AT UNPRECEDENTED RATES

Monroe County's mandated contribution to the New York State Retirement System will increase sharply. In 2003, Monroe County will pay 4.5% of payroll contributing to a total of \$12.5 million in retirement expense or nearly 29 % more than budgeted.

Based on recent information from the Office of the State Comptroller, Monroe County's mandated pension contribution in 2004 will be 13.1% of payroll. Costs will increase for the fourth consecutive year and could potentially reach \$29.6 million in 2004, representing an astonishing 855 % increase since 2000!

To combat this dramatic increase, the County Executive has proposed issuing short-term debt to pay for active pension costs in excess of 7% of Monroe County's payroll over the next five years, as allowed under recently enacted state legislation. Additionally, the County has proposed to bond, over five years, for outstanding early retirement costs.



However, the current failure of the Legislature to approve the issuance of the bonds has prevented the County from implementing these cost-saving measures. Due to the Legislature's failure to act, the County will have to utilize the Comptroller's Plan to amortize the pension costs in excess of 7% of the total payroll at a higher interest rate than is anticipated through the proposed bond offering. The difference between the bond

offering and the Comptroller's offer will cost taxpayers \$3.8 million and force corresponding gross program cuts including:

- Eliminating a half-year of funding for the Rochester School City District Nurse Program; saving \$1.99 million.
- Eliminating funding for the Gottaquit.com initiative; saving \$445,000.
- Eliminating funding for Lifeline; saving \$241,850.
- Eliminating funding for the Baby Love program; saving \$206,000.

These program cuts were made to minimize the gross, or actual, funding impact to agencies. While the cuts are regrettable, there is no alternative because of the County Executive's obligation to present a balanced budget.

A STATEWIDE PROBLEM

Monroe County is not alone in the problems it faces. Counties across our state are facing challenges due to these catastrophic increases in Medicaid, pension costs and other mandates. In fact, in 2003, 52 New York State counties raised property taxes by an average of 12.2%. Many counties have reported flat or reduced sales tax collections together with declining investment income resulting from lower interest rates. Virtually every county, large or small, is confronted with mandated costs beyond their ability to control or sustain.

Again, the statewide scope of these issues and the depth of the problems associated with mandated expenses demand that solutions be enacted at the State level in conjunction with County leaders.

PROVIDING SERVICES IN THE FACE OF SKYROCKETING MANDATED EXPENSES

While Medicaid and other mandates erode the ability to pay for other programs, Monroe County continues to bring innovation to the fore to provide needed services at the lowest possible cost.

Public Safety

Recognizing the need for Monroe County to provide for the safety and security of all residents, Public Safety spending will again increase in 2004. Totalling \$164.5 million or 16.9% of the total 2004 budget, spending will increase by \$6.8 million, for an average rate of increase of 5% since 1996.

In recognition of the expectation that the expansion of the downtown jail will be fully operational in 2004, the budget for the Office of the Sheriff will increase by \$6.3 million or 7.1% in relation to 2003. The new jail space will relieve overcrowding and provide for appropriate housing for the inmates and also ensure a much safer environment for the deputies. To meet staffing requirements set by the NYS Commission of Correction the budget contains fully annualized funding for 98 positions for a cost of \$ 4.2 million. The total Sheriff's budget represents 57.8% of total Public Safety spending including \$52.2 million for the Jail Bureau.

Two new grants, Cops in School and the Universal Hiring Program will completely fund two new Road Patrol Deputies. One Deputy Sheriff will be assigned to the Marketplace Mall while another will serve as a school resource officer in the Rush-Henrietta School District. These positions will relieve existing road patrol resources from responding to numerous calls at these locations.

The Office of the Sheriff will also be the beneficiary of the State Homeland Security Grant Program which will provide over \$1 million in funding for equipment purchased for use by the Sheriff's SWAT and HDR units. Equipment purchases ranging from personal protective gear, digital-imaging systems, along with demolition and explosive tools will be made possible by this grant program.

Human and Health Services

The Department of Human and Health Services (HHS) witnessed bold and sweeping reforms in 2003 and will continue these reforms through Operation Transform in 2004. The renewed emphasis on serving clients coupled with a positive work environment for employees bode well for the maintenance of efficiencies that have provided nearly \$30 million in savings for Monroe County taxpayers in 2003.

In 2004, the Department will focus on improving processes to address underlying barriers to self-sufficiency. Projects include: Case Management Services to assist the disabled in securing federal disability assistance, expansion of employment services, regular job fairs, targeted employment services for recovered substance abusers, and case management services for long-term Family Assistance recipients.

HHS anticipates that targeting services to address these underlying barriers to independence will reduce the time needed to move clients to self-sufficiency.

Continuing reorganization efforts have resulted in a new Special Services Division within HHS with an emphasis on quality improvement and identification/implementation of cost savings initiatives for the Department. Among the more notable achievements of this new Division has been the Special Investigations Unit that has increased closings of fraudulent Medicaid cases as well as denial of fraudulent applications.

Another new initiative, the Special Programs Division also conducts health and safety visits on all informal day care providers to be certain that children are being served under the required guidelines. This effort has resulted in substantial savings, thereby ensuring that precious Child Care Block Grant funds are used appropriately.

In the Child and Family Services area, an additional Child Protective Services investigation team consisting of 8 caseworkers, a senior caseworker, and a casework supervisor was added in 2003 to ensure that children are properly cared for in difficult and dangerous family situations. These new staff will help to ensure everything possible is done to investigate allegations of child abuse or neglect and that a service plan is developed for families in need.

Transportation

The 2004 budget continues to provide for the improvement and maintenance of our County's roads and bridges.

The construction of the Colonel Patrick O'Rourke Bridge over the Genesee River replacing the Stutson Street Bridge is scheduled to be completed by summer 2004. In addition, other bridges under construction include the Lyndon Road Pedestrian Bridge, Old Penfield Road Bridge, Lake Road Bridge, Hamlin Parma Town Line Road Bridge, and the North Greece Road Bridge.

Integration of the new computerized traffic signal systems and the fire preemption system will also be completed. This project will improve safety and response times for police, fire and EMS services to emergencies.

Also, the Transportation department will begin the installation of cameras and dynamic message signs on some city and county arterials to augment the cameras and signs on the state expressway system.

Approximately 79 lane miles of County roads are scheduled for maintenance (sealing, resurfacing, etc.) including Kreag Road, Elmwood Avenue and Pattonwood Drive.

County highways are the gateways to our community, and funds are included in the budget for the ongoing maintenance of 51 "Monroe County In Bloom" and 72 Adopt-A-Highway locations.

Parks

Due to the fact that it is one of the few truly discretionary areas in the County budget, the Parks Department faced substantial budget reductions in 2003 to help pay for the tremendous increases in mandated costs, most notably Medicaid.

However, the Monroe County Parks Department remains diligent in forging ahead with innovative partnerships with various organizations, businesses and jurisdictions to improve Park operations. The reopening of Powder Mills Park Fish Hatchery occurred in 2003 and will remain open in 2004 with the assistance of the Riedman Foundation. Also, Learn-to-Ski Programs at Northampton and Powder Mills Parks have been sustained and expanded through a partnership with Swain Ski Area. Springdale Farm will be expanded through a cooperative arrangement with Heritage Christian Home, Inc. Also in 2004, renovation and operation of the Ellison Park Wetlands Center will be made possible with the assistance of the Town of Penfield and Heritage Christian Home, Inc. Also, agreements will be executed with the Town of Henrietta and the Mendon Foundation for the development, operation and maintenance of the Lehigh Valley Linear Trail.

Greater Rochester International Airport

The Greater Rochester International Airport continues to be a leading air transportation facility in upstate New York providing passenger and air freight services to Monroe County and the surrounding region.

During the past year, the County has worked diligently with airlines to offer Monroe County air travelers competitive low fare air service to various cities in the United States. Successful airfare programs have been instituted in cooperation with AirTran Airways and jetBlue Airways, which have lowered air travel costs for both business and recreational travelers.

As a result of the County's efforts, during July and August 2003, the Airport recorded its highest enplanement or passenger boarding in recent history. These record enplanements provide evidence

that the people of our community are flying more than ever and utilizing the Greater Rochester International Airport for their business and personal trips.

The Airport also embarked on a Terminal Renovation Program in 2003 which will continue through 2004 to improve passenger circulation, centralize security operations, and provide additional leased space to generate increased revenues. The project will also facilitate increased service options and therefore more choices for local travelers.

Public Health

The Monroe County Department of Public Health continues to be recognized as one of the Advanced Practice Centers for Public Health Preparedness by the National Centers for Disease Control. The Department receives grants to develop innovative ways to help local governments address modern public health issues.

Since 2002, the County's Advanced Practice Center has received \$1.6 million to assist local health departments in preparing for public health emergencies, such as communicable disease outbreaks and bioterrorism events. Of that amount, \$100,000 is included in one-time funding for smallpox preparedness.

Monroe County also sponsors the Health Alert Network, a secure emergency communications system that links critical community emergency responders to assist with the management and coordination of responses to communicable disease outbreaks and bioterrorism. In partnership with RIT, the Public Health department sponsors web-based training for emergency responders. And, in partnership with the University of Rochester, the Department participates in a regional project to improve surveillance and response to communicable disease outbreaks.

In addition to addressing modern public health concerns such as communicable disease outbreaks and bioterrorism, the Department of Public Health is responsible for a variety of community health initiatives.

Also, the U.S. Department of Housing and Urban Development has given Monroe County a \$2 million grant to abate lead paint hazards in up to 420 dwellings in the City of Rochester. Training in lead-safe work practices will be provided to approximately 500 property owners in 2004. Advertising and promotional efforts to broaden the lead poisoning prevention message in the community will also be implemented.

Environmental Services

The Department of Environmental Services (DES) will begin a promotional campaign in late 2003 and early 2004 for its new "all paper" recycling program. The Monroe County Recycling Center has recently been upgraded to handle increased capacity and all clean paper items are currently being accepted by the center for recycling. This program will impact all county residents that par-

ticipate in recycling. By diverting most paper waste from the garbage, residents will be able to significantly reduce the amount of waste placed at the curb. Refuse haulers will also be able to extend route-time for garbage trucks-which will also lower costs and increase efficiency. The costs for this promotional program will be offset by increased Recycling Center revenue and state grant monies.

DES will continue the installation of a fiber optic-based metropolitan area network (MAN) in and around Monroe County. There are two new expansion initiatives beginning in 2003 and continuing through 2004. One is a cooperative effort among DES, the Monroe County Water Authority, and Town of Ogden and Village of Spencerport. An abandoned water main will be prepared for use as a fiber optic cable conduit. The new section will extend fiber connectivity to the Town of Ogden and Villages of Spencerport and Brockport. This project will allow these municipalities to eventually increase services (Geographic Information Services, real property information, enhanced law enforcement information, etc.) to their residents. The other fiber optic initiative will install cable along a new sewer forcemain reaching from Mill Seat Landfill to the Village of Churchville and on to a sewer interceptor in the town of Chili. This will provide fiber connectivity for the landfill and the village.

Vehicle parts procurement for the Fleet Services Division and the Sheriff's Office will be consolidated in 2004. Vehicle part purchase orders, which generally averaged over 1,000 per year, will be trimmed to less than thirty. The resulting decrease in purchase order handling will allow associated staff time to be reallocated and overall process and fiscal efficiency to increase.

DES has also studied the feasibility of placing all Monroe County fire and safety alarm services with one vendor/under one contract. After studying projected costs, determined to be about \$350,000, DES determined that it could provide these services to the county with its own staff for about half the overall cost. In 2003, DES staff began this service, and will continue to do so in 2004.

CONCLUSION

While Monroe County has prudently and wisely worked to drill down costs, the ever-growing burden of Medicaid and other mandates is destroying the ability of the County to provide other needed services.

This year, Medicaid alone will cost fifteen times more than what the County spends on the Parks Department, seven times more than road maintenance and transportation services and twice more than the combined costs for Jail and Sheriff's road patrol services.

The County has endured much during the last decade. Every effort has been made to pursue strategies that have resulted in cost cutting efficiencies and practices, ranging from annual operational reviews to extensive analyses of ways to maximize revenue.

However, declining revenues and increasing expenditures have left the County with few alternatives and little flexibility to maintain fiscal balance. Reduced services, workforce reductions or

increased taxes are actions frequently considered by municipal entities. While the County has used the former two strategies, Monroe County will not break its covenant with taxpayers regarding property taxes in order to pay for increasing costs.

Therefore, in spite of ever-increasing mandates, a property tax revenue increase is out of the question. With a struggling national and regional economy, it would be irresponsible for Monroe County to ask taxpayers to spend money they do not have. As stated previously, the combined cost increases in mandated expenses are nearly \$53 million, and would constitute a 21% property tax increase if the County opted to break its promise with its taxpayers.

However, in an effort to relieve Monroe County of these extraordinary increases in Medicaid and other mandates, the County proposes a six-tenths-of-a penny increase in the sales tax rate to cover these matters which are beyond the County's ability to control or manage.

There are solutions to this statewide problem, but the will needs to exist in Albany to enact them. Medicaid costs have been far better managed in other states. However, New York has failed to follow their lead.

New York's \$41 billion Medicaid program is larger than the combined Medicaid budgets of 40 other states! New York's Medicaid program costs taxpayers here twice as much as California's, although that state provides benefits to twice as many recipients! New York spends two and one-half times the nationwide state average on its Medicaid program per recipient!

These facts show unequivocally that the New York State Legislature must take action or it will allow its counties to face certain financial ruin with grave consequences for its taxpayers and businesses.

The proposed sales tax increase represents the last resort and our only hope to restore fiscal balance to the County, until the State enacts Medicaid reform.